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March 14, 2005

**Via Federal Express**

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission of KY  
211 Sower Blvd., P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

MAR 15 2005

PUBLIC SERVICE  
COMMISSION

Case 2005-00115

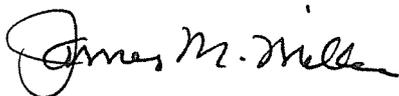
Re: Big Rivers Electric Corporation – Notice of Intent to Reduce Revenue

Dear Ms. O'Donnell:

Enclosed are an original and six (6) copies of Big Rivers Electric Corporation's ("Big Rivers") Notice of Intent to Reduce Revenue. Please return one file stamped copy to me in the enclosed self-addressed, stamped envelope.

The relief sought by Big Rivers in this filing would extend for one year the monthly revenue reduction previously approved by the Public Service Commission ("Commission") for Big Rivers. We have been asked by Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation to say that their respective wholesale discount adjustment tariff riders, previously approved by the Commission, contemplate the possibility that the prior revenue reduction implemented by Big Rivers might be extended. They do not believe any further action is required by them to pass along to their customers the additional revenue reduction proposed by Big Rivers in this filing.

Sincerely yours,



James M. Miller

JMM/bh  
Enclosures

Telephone (270) 926-4000  
Telecopier (270) 683-6694

cc: Michael H. Core  
Attorney General, Office of Rate Intervention

100 St. Ann Building  
PO Box 727  
Owensboro, Kentucky  
42302-0727

1 COMMONWEALTH OF KENTUCKY

2  
3 BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

MAR 15 2005

PUBLIC SERVICE  
COMMISSION

4  
5 In the Matter of: )  
6 )  
7 Big Rivers Electric Corporation's )  
8 Notice of Intent to Reduce Revenue )

CASE NO. 2005-00115

9  
10  
11 **NOTICE OF INTENT TO REDUCE REVENUE**

12  
13  
14 Big Rivers Electric Corporation ("Big Rivers") files this Notice of Intent to  
15 Reduce Revenue pursuant to K.R.S. 278.455 ("Notice"). In support of its Application,  
16 and in compliance the Public Service Commission ("Commission") statutes and  
17 regulations, Big Rivers states, through counsel:

- 18 1. Big Rivers is a rural electric cooperative corporation organized under K.R.S.  
19 Chapter 279. Its mailing address is P.O. Box 24, 201 Third Street, Henderson, Kentucky,  
20 42420. 807 K.A.R. 5:007 § 1(2).
- 21 2. Big Rivers has three distribution cooperative members ("Distribution  
22 Cooperatives" or "Members"): Kenergy Corp. ("Kenergy"), Meade County Rural Electric  
23 Cooperative Corporation ("Meade County"), and Jackson Purchase Energy Corporation  
24 ("Jackson Purchase"). Notice of the rate change described herein was given to each of  
25 the Members by letter dated March 14, 2005, a copy of which is attached hereto as  
26 Exhibit A. 807 K.A.R. 5:007 § 7.

27 **PRIOR REVENUE REDUCTION**

- 28 3. By order dated August 30, 2000, in P.S.C. Case No. 2000-382 (the "Order"), the  
29 Commission authorized Big Rivers to reduce its revenues by \$3.68 million per year for

1 two years ending August 31, 2002, by implementing a Member discount adjustment rider.

2 A copy of the Order is attached to this Notice as Exhibit B.

3 PROPOSED EXTENSION OF REVENUE REDUCTION

4 4. The revenue reduction proposed in this filing extends by one year, through August  
5 31, 2006, the revenue reduction originally approved by the Commission in P.S.C. Case  
6 No. 2000-382, the period of which was extended by the Commission through August 31,  
7 2003, in P.S.C. Case No. 2002-100; through August 31, 2004, in P.S.C. Case No. 2003-  
8 00102; and through August 31, 2005, in P.S.C. Case No. 2004-00035. The terms of the  
9 current revenue reduction are reflected in the Member discount adjustment rider  
10 ("Rider"). A copy of the Rider is attached to this Notice as Exhibit C.

11 REASONS FOR EXTENSION OF REVENUE REDUCTION; MOTION  
12 TO INCORPORATE BY REFERENCE

13  
14 5. The facts supporting extension of the existing revenue reduction remain  
15 essentially unchanged from the facts stated in Big Rivers' application in Case No. 2000-  
16 382 in support of the original revenue reduction proposal. For this reason, Big Rivers  
17 moves that the record in P.S.C. Case No. 2000-382 be incorporated by reference into the  
18 record of this proceeding. 807 K.A.R. 5:001 § 5(5).

19 6. As the Commission succinctly notes in the Order, the purpose of the revenue  
20 reduction is to pass to Big Rivers' Members the cash flow benefits from a 2000 leveraged  
21 lease. Exhibit B (Order), at pages 1 and 2. The proposed extension of the revenue  
22 reduction is limited in duration because Big Rivers' long-term financial requirements are

1 difficult to project, and Big Rivers cannot borrow to meet its capital requirements.

2 Exhibit B (Order), at page 2.

3 7. Big Rivers continues to assess carefully its financial requirements. Uncertainty  
4 persists about the extent and total cost of future transmission upgrades and environmental  
5 compliance-related capital improvements on Big Rivers' system. Big Rivers is  
6 accordingly wary about making the revenue reduction permanent, or extending the  
7 revenue reduction more than one year at this time. But it wants to continue to deliver this  
8 benefit to its Members for as long as it can do so responsibly.

9 8. The revenue reduction proposed by Big Rivers is implemented through the  
10 existing Rider, amended to reflect a new expiration date (the "Amended Rider"). The  
11 Amended Rider, Big Rivers' Fourth Revised Tariff Sheet No. 74, cancelling Third  
12 Revised Sheet No. 74, is attached hereto as Exhibit D. A comparison of the terms in the  
13 Amended Rider against the terms in the Rider is attached hereto as Exhibit E. The  
14 proposed tariff (Amended Rider) states an effective date of September 1, 2005, and  
15 extends the term of the existing revenue discount for an additional year, through the  
16 customer usage period ending August 31, 2006. 807 K.A.R. 5:007 § 1(1).

17 9. The amount of the discount adjustment in each of the 12 additional months of the  
18 discount adjustment period is \$306,666.67. This amount will be divided among the  
19 Members each month in proportion to the revenue billed to each of them for service  
20 under Rate Schedules C.4.d. and C.7. in the previous billing month. Because multiple  
21 bills are issued to each Member each month, the calculation of the discount adjustment  
22 will be made on a per-bill basis, as is reflected in the wording of both the Rider and the

1 Amended Rider. The design of the discount adjustment eliminates the possibility of over  
2 or under crediting in any month. Use of the discount adjustment as stated in the Rider  
3 and in the Amended Rider also eliminates the need to change the tariff rates or rate design  
4 in Rate Schedules C.4.d. and C.7. 807 K.A.R. 5:007 § 1(5)(a).

5 10. The revenue discount will continue to be allocated to each class of customer, and  
6 within each tariff, on a proportional basis. Exhibit F demonstrates the operation of the  
7 discount adjustment using actual Member billing units and revenue information from the  
8 twelve (12) months ended December 31, 2004, with certain known and determinable  
9 adjustments made to billing units and revenue of or for American Engineering, Dyson,  
10 Steamport/Allied, Hopkins County Coal, and Breckinridge. For each Member, and for  
11 both the rural and large industrial rate classifications, the percentage changes in revenue  
12 and in power costs (mills/kWh) are equal. 807 K.A.R. 5:007 § 1(5)(b).

13 11. This filing is made pursuant to the authority of K.R.S. 278.455, and the facts  
14 stated in this filing authorize the relief provided for in that statute.

15 12. One copy of this Notice has been filed with the Attorney General's Office of Rate  
16 Intervention. 807 K.A.R. 5:007 § 1(6).

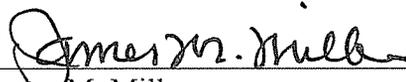
17 EFFECTIVE DATE OF DISCOUNT ADJUSTMENT RIDER

18 13. Big Rivers proposes September 1, 2005, as the effective date of the Amended  
19 Rider.

20 WHEREFORE, Big Rivers respectfully requests that the Commission make its  
21 order finding that Big Rivers has met the filing requirements of K.R.S. 278.455,  
22 authorizing the discount adjustment as proposed in the Amended Rider as of September

1 1, 2005, granting Big Rivers' motion that the record in P.S.C. Case No. 2000-382 be  
2 incorporated by reference into the record in this case, and granting all other relief to  
3 which Big Rivers may appear entitled.

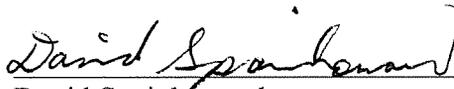
4 SULLIVAN, MOUNTJOY, STAINBACK  
5 & MILLER, P.S.C.

6  
7   
8 \_\_\_\_\_  
9 James M. Miller  
10 Tyson Kamuf  
11 100 St. Ann Building, P. O. Box 727  
12 Owensboro, Kentucky 42302-0727  
13 (270) 926-4000

14  
15 COUNSEL FOR BIG RIVERS ELECTRIC  
16 CORPORATION

17  
18 **VERIFICATION**

19  
20 Comes David Spainhoward, Vice President of Contract Administration and  
21 Regulatory Affairs of Big Rivers Electric Corporation, and states that the statements  
22 contained in the foregoing Notice of Intent to Reduce Revenue are true to the best of his  
23 knowledge.

24  
25   
26 \_\_\_\_\_  
27 David Spainhoward

28 STATE OF KENTUCKY )  
29 COUNTY OF DAVIESS )

30  
31 Subscribed, sworn to and acknowledged before me by David Spainhoward on this  
32 the 14 day of March, 2005.

33  
34   
35 \_\_\_\_\_  
36 Notary Public, Ky. State at Large  
My commission expires: 3-1-09

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Exhibit A	Notice of Rate Change Sent to Member Distribution Cooperatives
Exhibit B	Order of Commission, August 30, 2000, Case No. 2000-382
Exhibit C	Existing Tariff-Member Discount Adjustment Rider
Exhibit D	Proposed Tariff-Member Discount Adjustment Rider
Exhibit E	Comparison of Terms of Proposed Tariff to Terms of Existing Tariff
Exhibit F	Analysis of Operation of Member Discount Adjustment Rider